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A Day In The Life Of Women Entreprenuers

Wading Through The Muddy Waters

Paving A Path To Wealth Creation

A quick look at the idiosyncratic financial lifestyle of millennials

By **Vishav**

Few months back, Finance Minister Nirmala Sitharaman's remark on millennials preferring cab services over buying cars and hence resulting in the slowdown in the automobile sector sparked controversy. This led to a lot of memes with the basic premise that most problems in today's India are due to preferences of millennials. Of course millennials took offense to the remarks, and rightly so.

However, it is also true that millennials' preferences are changing the world. Different industries and sectors need to evolve to keep up with this new reality. And, millennials are also changing the financial investment market with their less aversion to risk, openness to alternate investment products like crypto currencies and their general outlook of living in the present.

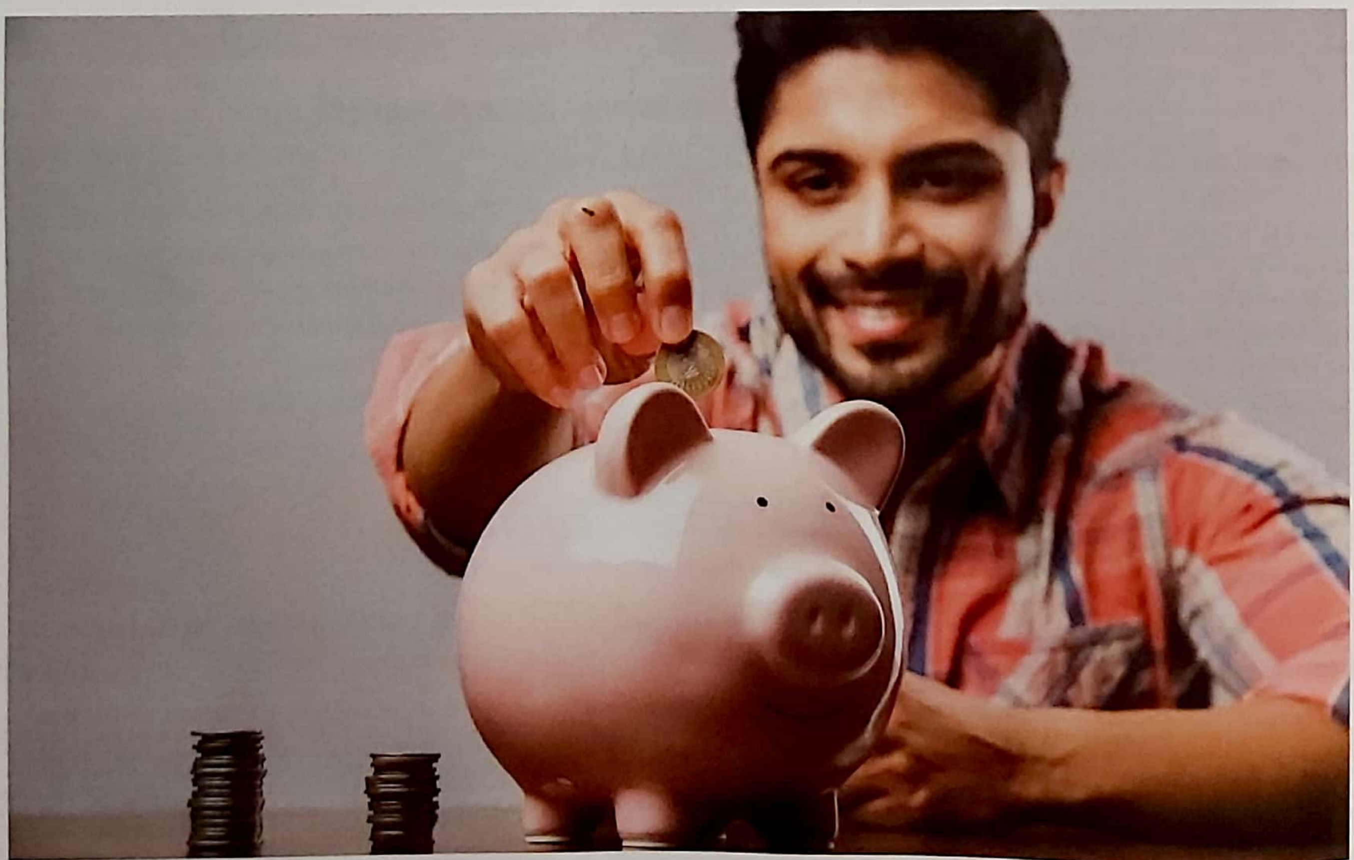
Millennials are individuals who attained adulthood in the early 21st century and grew up in a digital world. They look for investment options that offer flexibility.At 44 crore, millennials form 34 per cent of the India's population and 46 per cent of the workforce.

According to Suresh Surana, Founder, RSM India, their contribution to workforce is rising, which is particularly true for sectors such as information technology, back office services, logistics, fintech and start-ups. And with this, millennials' investment plays a significant role in the economy.

Surana believes that the initial focus of millennials has never been on investments, except for the tax saving investment schemes, which provides them some benefit in terms of reduced taxation.

"Generally, the trend, which is seen in case of millennials towards investment is that their initial focus is either on pursuing higher education and thereafter, during their earning stages, on renting or purchase of house property and other basic luxury goods such as cars and electronic gadgets.These are primarily enabled due to the easy credit facilitated by banks and financial institutions," he explains.

Ankur Choudhary, Co-Founder and Chief Investment Officer, Goalwise, agrees and adds that



millennials tend to be more consumption oriented but they also have a higher risk appetite when compared to older investors.

"They like simple, easy-to-use products, which provide flexibility without too much lock-in. The best financial instruments for millennials are liquid funds for savings, equity mutual funds for long term investing and Tax Saving Mutual Funds for tax saving." Choudhury advises.

Various studies have been conducted to understand where and how millennials like to invest their money. According to a study conducted by Tata Capital, the financial services arm of the Tata Group, the pop culture trend of YOLO (you only live once) started by millennials in the early 2010s still has relevance with close to 53 per cent of their tribe saving only up to 25 per cent from their monthly salary and preferring to spend most part of their earnings on having experiences in the present.

Some studies indicate that millennials are less likely to invest in traditional and safe investment products like insurance and provident fund during the early stages of their career, they do invest in equity-linked products.

According to a study by Groww, a new-age investment platform, average age of investors investing in mutual funds has reduced significantly over the years, which shows that people are becoming more responsible with their money and starting early to grow wealth.

On the other hand, Archit Gupta, Founder and CEO, ClearTax, feels millennials prefer to invest comfortably i.e. a periodical investment where they do not have to put aside a large sum of money from their pockets.

"Retirement corpus isn't their top priority, unlike the comparatively older population. They have a high-risk profile and tend to invest mostly in equities. While investing, millennials tend to avoid complications and believe in making their own investment decisions," Gupta elucidates.

The study by Groww also found out that in terms of investment patterns, millennial investors observe a "Do It Yourself" mindset. Although many are novice, they want the convenience of having all information and resources at their disposal and prefer selecting funds by themselves. Consequently, millennial investors look to consume content in different formats to educate themselves and make informed decisions.

According to Harsh Jain, Co-founder and COO, Groww, there has been a marked shift in perspective and approach when it comes to millennials and their attitudes to financial investing. "We have noticed that millennial investors are very focussed, want to be in control of their finances and prefer to do things on their own. They are very much aware of their financial goals and are ready to take risks to reach them as well. Another common observation is that they are starting way earlier and investing in a disciplined manner," he explains.

Recent mutual fund data suggests that millennials are becoming more serious about their investments and future planning. In general, most Indians start investing at a later stage after having accumulated a sizeable amount of savings but the trend is changing now, says Amit Gupta, Co-Founder and CEO, TradingBells.

According to data gathered from Computer Age Management Services, a transfer agency that services 68 per cent of mutual funds in India, of the 36 lakh new investors it on-boarded in FY19, 47 per cent (17 million) were millennials (between 20 and 35 years).

Most of the investment is coming through the SIP route as it is very easy to put aside small investment amounts every month without too much worry about market volatility.

"If we talk about their lifestyle, then millennials are choosing to marry late, spending a lot on

ARCHIT GUPTA

Founder and CEO, ClearTax

Retirement corpus is not a priority unlike the comparatively older generations

Investing Habits Of Indian Millennial In 2019

- **Preferred Mode Of Investing:** A whopping 79% investors chose SIP as their preferred mode of investment
- **Avg no funds held by an active investor:** 4.6
- **3 Most Popular Funds In Equity :** Equtiy-Axis Bluechip Fund, HDFC Small Cap Fund, Mirae Asset Tax Saver Fund
- **3 Most Popular Funds In Debt :** Franklin India Ultra Short Bond Fund, ICICI Prudential Liquid Fund, Aditya Birla Sun Life Low Duration
- **3 Most Popular Funds In SIP :** Mirae Asset Emerging Bluechip Fund, Axis Bluechip, HDFC Small Cap

Source: Groww

education. However, interestingly, most of them are starting to save and invest early. Renting is preferable to this generation than purchasing.But buying a house is still their biggest aspiration," says Gupta.

In terms of investment style, they are ready to take exposure to the equity market and this is the reason that they are investing in stocks and mutual funds even if their parents tell them not to. With interest rates on fixed deposits falling, they don't see it as a suitable option and look at equity investment as promising for a better return in the long term.

In that case, now the question arises, then where should millennials choose to invest?

Jashan Arora, Director, Master Capital Services, feels that in the coming decades of global economic uncertainty, preparing for the future is imperative. And while millennials save less than older generations, they benefit from having time on their side.

"Even small amounts of regular savings over an extended period of time can result in large sums, thanks to the power of compounding. Starting early, prioritizing the financial goals, investing regularly and for long-term, avoiding debts are a few principles to stick by. Implementing the principles for financial security in the initial and early phase of one's working life and of course having the discipline to stay the course can definitely help millennials achieve financial independence," he explains.

ANKUR CHAUDHURY

Co-Founder and Chief Investment Officer, Goalwise

They like simple, easy-to-use products, which provide flexibility with minimum lock-in period

While it is difficult to specify one set of financial instruments which fit all, RSM India's Surana advises them to avoid illiquid financial instruments or those with long lock-in periods as they tend to need a lot of flexibility due to uncertain future plans. He says that investment in life insurance and PPF should be done only when one focuses on long-term goals instead of short ones.

"Millennials interested in equity investment but lacking sufficient expertise for the same may opt for mutual funds. In such as case, one must select a highly reputable name or invest in the index or select blue chips, which are not heavily leveraged," he says. "Some of the equity linked savings scheme (referred to as ELSS) also are allowable as deduction under Section 80C and therefore make a good investment alternative."

Surana also strongly advises them to invest in life insurance as a back-up financial plan in case they have a family and dependents.

Gupta from TradingBells adds that an SIP in equity mutual funds is one of the most suitable investment avenues for millennials whereas investment in good companies' IPOs is yet another option for investment. "Those who have some knowledge of equity investing then direct equity is also a good option for better returns in the long term," he adds.

Budget 2020 has been a gamechanger in several ways especially for millennials. This year's annual budget had brought new things to consider for millennials by introducing a new optional taxation system devoid of any tax exemptions and deductions. Archit Gupta of Cleartax believes that millennials might shift their investment preferences to creating wealth instead of looking for a tax-saving benefit after this move.

Groww's Jain adds that the suitability of the old and new tax regime is dependent on several factors such as existing investments, whether the individual was claiming deductions previously, as well as the tax slab one belongs to.

He advises millennials to consult a tax expert or a financial advisor to derive their own calculations and then take a call, keeping their existing and future financial obligations in mind.

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